

HOUSE No. 874

The Commonwealth of Massachusetts

PRESENTED BY:

William N. Brownsberger

To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:

The undersigned legislators and/or citizens respectfully petition for the passage of the accompanying bill:

An Act relative to the funding, staffing, and market conduct examinations of the Division of Insurance .

PETITION OF:

NAME:	DISTRICT/ADDRESS:
William N. Brownsberger	24th Middlesex
John Hayes	5 Colonial Terrace Belmont, MA 02478
Anne M. Paulsen	90 School St. Belmont, MA 02478

The Commonwealth of Massachusetts

In the Year Two Thousand and Nine

AN ACT RELATIVE TO THE FUNDING, STAFFING, AND MARKET CONDUCT EXAMINATIONS OF THE DIVISION OF INSURANCE .

*Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority
of the same, as follows:*

1 SECTION 1. Section 8C of Chapter 26 of the General Laws of
2 Massachusetts, as appearing in the 2006 Official Edition, is hereby amended by
3 striking out the first two paragraphs in lines 1 through 19, and inserting in place
4 thereof the following:

5 The commissioner of insurance shall make an assessment in each fiscal year
6 against all licensed insurers in the commonwealth. Such assessment shall be
7 deposited into the Division of Insurance Trust Fund. All monies deposited into the
8 trust fund shall be expended, without appropriation, exclusively by the division of
9 insurance. Such assessment shall be made at a rate sufficient to produce fifteen
10 million dollars (\$15,000,000) in the fiscal year two thousand and eight, and shall
11 be increased annually thereafter by a rate equal to the most recent annual consumer
12 price index calculated by the Bureau of Labor Statistics of the United States
13 Department of Labor for the northeast region for all urban consumers. In addition
14 to such assessment, the commissioner of insurance shall also collect an amount
15 equal to indirect costs as determined by the commissioner for administration, and
16 for the persons within the division, an amount equal to the cost of fringe benefits as
17 established by the commissioner of administration. Said amounts shall be
18 expended, without appropriation, for such indirect costs and for such persons'
19 fringe benefits. If the commissioner of insurance shall fail to expend any money
20 collected under this paragraph in any fiscal year other than monies collected for
21 fringe benefit and indirect costs, such unexpended amount shall be credited against
22 the assessment to be made in the following year so that the assessment in the
23 following year shall be reduced accordingly. Funds collected under this section
24 may be used to compensate consultants retained by the division and to defray its

reasonable operating expenses and administrative overhead costs. The amounts to be so assessed shall be made against all licensed domestic companies and foreign companies in proportion to their net premiums written and annuity considerations in the commonwealth as shown in the most recent annual report available of each of said insurers filed with the division. The assessment, including the collection for indirect costs and fringe benefits, shall be collected by the commissioner of insurance. All licensed insurers shall pay the amount assessed within thirty days after the date of the notice of assessment from the commissioner.

Within the division there shall be, as determined by the commissioner, adequate numbers of actuary-statisticians, mathematicians, and certified public accountants; provided, however, that at a minimum the staffing requirements set forth in sections eight E through eight I of chapter twenty-six shall be met. Each actuary-statistician shall be a member of the casualty actuarial society or society of actuaries or shall have attained a doctoral degree in a related discipline. Each mathematician shall be engaged in a program of study recommended by the casualty actuarial society or shall have substantial mathematical and statistical training. All actuary-statisticians, mathematicians, and certified public accountants in the division shall be appointed by the commissioner, shall be exempt from the provisions of chapters thirty and thirty-one, and shall be paid salaries set at levels determined to be appropriate by the commissioner, giving due consideration to the salary levels of actuary-statisticians, mathematicians, and certified public accountants employed in the private sector.

SECTION 2. Chapter 26 of the General Laws, as above, is further amended by adding after Section 8J the following new section:

Section 8K. Market conduct examinations.

The division shall regularly perform market conduct examinations, and shall annually report in April to the Legislature:

a) The substance and scope of each open market conduct examination;
b) The substance, scope, and resolution of each market conduct examination completed in the five previous calendar years;

c) The names of division full-time employees devoted solely to market conduct activities;

d) For each of the states of Connecticut, New York, Pennsylvania, New Jersey, Florida, and Michigan, and for any state whose insurance industry net premiums written in such state is similar to those written in the commonwealth:

i) The substance and scope of each open market conduct examination in such state;

ii) The substance, scope, and resolution of each market conduct examination completed in such state in the most recent twelve-month period for which said information is available from such state; and,

65 iii) The number of full-time employees in the insurance department
66 of such state that are devoted solely to market conduct activities;

67 e) Any other market conduct information deemed relevant by the
68 commissioner.

69 SECTION 3. This act shall take effect upon passage.